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## **Statement of the Task Force on Palestinian Reform February 20, 2003, London**

The Task Force on Palestinian Reform, composed of representatives of the Quartet (U.S., EU, Russia and the UN Secretary General), Norway, Japan, Canada, the World Bank, and the International Monetary Fund, met in London February 19-20, 2003 to review the status of Palestinian civil reform efforts. The Task Force also reviewed these efforts with Israeli and Palestinian representatives. The Task Force considers this work critical to building the foundations of a viable, independent, and democratic Palestinian State living side by side in peace and security with Israel.

The Task Force recognized that the continued terror and violence, continued restrictions on the movement of persons and goods, deterioration of the humanitarian situation, and destruction of local infrastructure and facilities constitute a significant hindrance to reforms. Despite the difficult security situation, however, the Task Force welcomed the clear and considerable progress made in several areas of Palestinian civil reform. In particular, the Task Force commended the implementation of significantly higher standards of fiscal transparency and accountability, as well as work toward development of the public institutions and laws needed to promote a market economy. The Task Force welcomed the Palestinians' decision to appoint a prime minister, and underscored the importance that this position be credible and fully empowered. The Task Force commended the commitment displayed by the Palestinian Authority's (PA) Ministerial Reform Committee, and the establishment of a Reform Coordination Support Unit.

The Task Force commended efforts to develop appropriate legislation and to coordinate economic policy with Palestinian business leaders through an organized discussion forum, noting that this could serve as a model for policy interaction between the PA and Palestinian civil society. The Task Force also noted that the Palestinian Legislative Council's (PLC) February 1 approval of the 2003 Palestinian budget was a considerable accomplishment, which reflected the Palestinian public's confidence in the financial reform agenda. The Task Force looked forward to early implementation of the further reform measures announced by the Finance Minister during his December 31, 2002 speech before the PLC. The Task Force also noted the considerable progress made in Public Administration and Civil Service Reform, welcomed the adoption by the PA of a detailed action plan in this area, and looked forward to its early implementation.

The Task Force observed that progress in some areas of reform has been much slower. In some cases – such as judicial reform – this lack of progress has to a great extent been the result of counterproductive steps taken by the Palestinian leadership. In this regard, the Task Force emphasized the need to comply fully with the recently passed Basic and Judiciary Laws, and called on the PA to take appropriate early actions to bring all its structures and procedures into line with the provisions of those laws.

In other cases, the lack of progress is attributable in considerable part to the difficult security environment and extreme limitations imposed by the Israeli Government on freedom of movement. While acknowledging Israel's legitimate security concerns, there was consensus in the Task Force that mobility restrictions constitute a major impediment to reform, slowing progress and undermining the credibility of the reform process in many areas. In particular, the inability of the PLC to meet on a regular basis hampers the passage of critical reform legislation and the PLC's ability to play an effective oversight role. The Task Force urged the Government of Israel to do all it can to facilitate the reform process and minimize the impact of its security measures on the civilian population. The Task Force welcomed the Israeli Government's decision to resume monthly transfers of Palestinian tax revenues and to begin clearing the arrearages in accordance with an agreed monitoring mechanism to ensure transparency and financial accountability. The resumption of monthly revenue transfers permitted the Ministry of Finance to submit a fully-financed 2003 budget that allows for the provision of necessary social and emergency services, financial support for Palestinian municipalities, and reductions in PA debt due the private sector and other institutions. It is of paramount importance that revenue transfers and return of arrearages continue on a regular basis. Equally, because tax revenues, including revenues collected by Israel, have declined substantially because of the conflict, it is critical that external budgetary support be sustained.

The Task Force on Palestinian Reform was established in London on July 10, 2002, to monitor and support implementation of Palestinian civil reforms, and guide the international donor community in its support for the Palestinians' reform agenda. Since its formation, the Task Force has worked with Palestinians to develop in greater detail the Reform Action Plan, which highlights Palestinian commitments, establishes benchmarks, identifies obstacles to reform, and proposes areas for donor assistance. The Task Force has done this by consulting directly with Palestinian executive and legislative officials, with Palestinian civil society, with the Israeli government, and with the donor community.

Day-to-day activities of the Task Force are undertaken through seven Reform Support Groups, composed of donor representatives working in the West Bank and Gaza, in the areas of Civil Society, Elections, Financial Accountability, Judicial and Rule of Law Reform, Market Economics, Local Government, and Public Administration and Civil Service Reform. The Reform Support Groups work with the Palestinian Authority to operationalize the reform plans, monitor implementation, and identify appropriate benchmarks to measure successful implementation of – and barriers that impede – reforms.

This meeting, chaired by the UN Special Coordinator, was the Task Force's fourth, having met previously in London on July 10, 2002, Paris on August 22-23, 2002, and in Jordan on November 14-15, 2002.